Follow-Up Audit
Human Resources Department

August 2001

City Auditor's Office

City of Kansas City, Missouri

August 22, 2001

Honorable Mayor and Members of the City Council:

We conducted this follow-up audit to assess the Human Resources Department's progress in addressing issues we raised in our 1995 *Performance Audit: Human Resources Department*. Our previous audit focused on roles and responsibilities, recruitment and selection processes, and technology needs. We made a number of recommendations intended to increase flexibility in hiring and improve services provided to other departments. The Human Resources Department recently underwent review through the city's competitive review process, which raised similar issues.

The Human Resources Department has taken a number of steps to address the issues we raised in 1995 and to implement recommendations of the 1998 Compensation Task Force. The department expanded recruiting efforts, eliminated testing for all but firefighter positions, implemented an award-winning supervisory training program, revised the compensation system, and developed a new performance management system. Despite these efforts, outdated technology and procedures continue to hamper the department's effectiveness. The hiring cycle is long – it takes an average of about four months to fill a position – and turnover among city employees is relatively high. Proposed charter revisions and implementation of an Enterprise Resource Planning (ERP) system offer opportunities for the department to review and revise procedures and better measure and monitor human resources practices citywide. Planning for the ERP is underway and the Charter Review Commission has recommended simplifying provisions related to human resources. In the meantime, we suggest actions that both Human Resources and hiring departments can take to speed hiring.

The Human Resources Department and city departments share responsibility for recruitment and retention. Our previous recommendations and Competitive Review Committee recommendations currently under consideration increase departments' discretion in hiring. Because the city is exposed to risk from poor hiring decisions, additional accountability mechanisms should balance this discretion. We support the Competitive Review Committee's recommendations to strengthen accountability by establishing service agreements between Human Resources and hiring departments, and hiring human resource generalists to work within departments but answer to the Human Resources director. We also support the Human Resources Department director's plans to conduct exit interviews, report performance measures to the city manager, and track trends to monitor the effectiveness of human resources practices citywide. The director should also conduct employee surveys, and identify data needs for workforce planning when planning for ERP implementation.

We sent the draft follow-up report to the director of Human Resources on July 18, 2001. His written response is appended. We appreciate the Human Resources Department staff's courtesy and cooperation throughout this project. The audit team for this project was Sharon Kingsbury, Sue Polys, Robin K. Reed, and Amanda Noble.

Mark Funkhouser
City Auditor

Follow-Up Audit: Human Resources Department

Table of Contents

Follow-Up Audit: Human Resources Department

List of Exhibits

Introduction

Objectives

We conducted this follow-up audit of the Human Resources Department pursuant to Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to independently assess the performance of a government organization, program, activity, or function. Performance audits are intended to provide information to improve public accountability and facilitate decision-making.[1] We designed this follow-up audit to answer the following questions:

- How long does it take to fill a vacant position, and could the time be shortened?

- How should roles and responsibilities in recruitment and hiring be divided between the Human Resources Department and other departments?

- How does the city recruit and retain qualified employees?

- What would it take for the Human Resources Department to do workforce planning?

Scope and Methodology

We designed this follow-up audit to assess the Human Resources Department's progress in addressing problems identified in our 1995 performance audit. Because timeliness of hiring was raised as an issue in the city's competitive review process and during budget hearings, we also calculated hiring time for the period January 2000 through March 2001. We conducted this audit in accordance with generally accepted government auditing standards. Our methods included:

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[1] Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p. 14.

- Interviewing city staff about hiring procedures and expectations.

- Reviewing the city charter, code, Memorandum of Understanding with Local 500, and Human Resources Department policies and procedures.

- Drawing a random sample of 241 new hires completed between January 2000 and March 2001 and compiling data to calculate how long it took to fill the position.

- Analyzing the number of people who left city employment in 2000.

- Interviewing human resources staff in other cities about workforce planning.

No information was omitted from this report because it was deemed privileged or confidential.

Background

The Human Resources Department is responsible for classifying positions;[2] recruiting and certifying applicants;[3] administering the city's compensation, benefits, and retirement programs; and providing citywide training.

Other city departments are responsible for some aspects of human resources, including making hiring decisions, supervising employees, evaluating their performance, and providing job-specific training.

Legislative Authority

The city charter establishes the Human Resources Department and authorizes the Human Resources director to make rules governing how city jobs are defined, filled, and compensated. The charter provisions establish a merit system, which provides that employees are hired based on abilities and qualifications.

Merit system rules in municipal governments date to the early 1900s and were a response to corruption among political officials. Most of Kansas

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[2] Classifying positions means placing jobs within the compensation system based on established criteria such as experience, knowledge, and abilities necessary to do the job.
[3] Certifying applicants means comparing an applicant's qualifications to the minimum qualifications needed to do the job.

City's charter provisions regarding human resources date from 1925. In addition to the rule-making authority described above, the charter directs procedures for specific activities such as hiring temporary employees, employee transfers, and veterans' preference. There are also provisions covering investigation and enforcement of rules, working conditions and efficiency of the city's employees.

Charter provisions are under review. The mayor appointed a Charter Review Commission to review and recommend changes to the city charter. The commission, which concluded in July 2001, recommended changes that would simplify provisions regarding human resources and remove procedural detail from the charter. The mayor and City Council are considering the commission's recommendations.

KC-GO Competitive Review Recommendations

The Human Resources Department recently underwent review through the Kansas City-Government Optimization (KC-GO) process, an initiative to improve city services. The process included review by consultants, groups of internal stakeholders, and the Competitive Review Committee, composed of community and business leaders. The committee made a number of recommendations including: upgrading human resources information technology; simplifying charter provisions; clarifying roles and responsibilities; and providing department directors with more discretion in hiring.

Human Resources Department Funding and Staffing

The Human Resources Department was budgeted about $2.1 million in fiscal year 2001 and authorized 39 full time equivalent positions. The city has about 5,000 authorized full time equivalent positions.[4]

Exhibit 1. Funding ($ millions) and Authorized Staffing by Fiscal Year

	1995	1996	1997	1998	1999	2000	2001
Funding	$1.4	$1.6	$1.5	$1.5	$2.2	$2.1	$2.1
Staffing	29	30	31	29	32	35	39

Sources: AFN and adopted budgets.

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[4] This figure excludes police. The Police Department is a separate agency with its own Human Resources Department.

Summary of the 1995 Performance Audit

Our 1995 *Performance Audit: Human Resources Department* reported that the city's merit system rules were outdated, making the hiring process inflexible. The merit system, developed to reduce the use of patronage in filling positions through strict enforcement of rules, was cumbersome while the practices the system was designed to discourage were no longer common, due to court rulings and collective bargaining agreements. Written testing was not appropriate for all positions being tested; applicant-ranking rules were subject to manipulation, and department managers perceived that the rules limited their ability to hire qualified candidates and resulted in hiring delays. We also found that the department was understaffed, under-funded, and in need of updated technological resources.

We recommended that the department update its mission to reflect a service orientation to user departments; introduce revisions in the law to increase flexibility in hiring, expand recruitment efforts, establish a comprehensive training program, and invest in new technology. The original recommendations are listed in Appendix A. Audit Report Tracking System (ARTS) reports are included in Appendix B.

Findings and Recommendations

Summary

The Human Resources Department has taken a number of steps to address the issues we raised in our 1995 performance audit and implement the recommendations of the 1998 Compensation Task Force. The department expanded recruiting efforts, eliminated testing for most positions, implemented an award-winning supervisory training program, revised the compensation system, and developed a new performance management system. However, outdated technology and procedures continue to affect the department's effectiveness. The hiring cycle is long – it takes an average of about four months to fill a position – and turnover is relatively high. Proposed charter revisions and implementation of an Enterprise Resource Planning (ERP) system offer opportunities for the department to review and revise procedures, and better measure and monitor human resource practices citywide. Planning for the ERP is underway. In the meantime, we suggest actions that both the Human Resources Department and hiring departments could take to speed hiring.

The Human Resources Department and city departments share responsibility for recruitment and retention. Recommendations we made in our previous audit and Competitive Review Committee recommendations currently under consideration increase departments' discretion in hiring. Because the city is exposed to risk through poor hiring decisions, additional accountability mechanisms are needed. We support the Competitive Review Committee's recommendations to strengthen accountability by establishing service agreements between the Human Resources Department and hiring departments, and hiring human resource generalists to work within departments, but answer to the Human Resources director.

The city is investing considerable resources in its workforce. The Human Resources Department should measure the return on this investment through employee surveys and other performance measures. The Human Resources director has developed a set of performance measures to report to the city manager each year. The director also plans to start conducting exit interviews to better determine why employees are leaving city employment. The Human Resources director should also consider data needs for workforce planning when implementing the new

computer system. Workforce planning provides a means to identify and manage issues that drive changes in the workforce.

Hiring Time Could Be Shortened

It takes the city about four months to fill a vacancy. Responsibility for hiring is shared between the Human Resources Department and hiring departments, with a little less than half of hiring time in the Human Resources Department's control.

The city's current processes potentially limit the pool of applicants, which could contribute to longer hiring times and raises equity concerns. Processes are currently constrained by the department's old technology. The city plans to implement a new system to manage human resources information. The Human Resources Department should use this opportunity and that provided by proposed charter revisions to revisit their procedures. In the meantime, both Human Resources and hiring departments could take actions to speed hiring.

Hiring Time Is About Four Months

The average time to fill a vacant position between January 2000 and March 2001 was about four months. We measured the time to hire from the date the position was vacated or created to the time the new employee started working for the city.

Hiring times varied widely. While the average time to hire was about four months, hiring was completed in about three months or less in half the cases we reviewed. Hiring times varied. In some cases a new employee was hired before the position was vacant, other positions were vacant for more than a year before a new employee was hired. Extremely long hiring times could be due to departments re-evaluating a position or holding positions open because of timing promotions, or other reasons. Extremely short times could be due to hiring from an existing list of eligible applicants, and/or starting the process before the exiting employee left employment.

We calculated hiring time based on a random sample of 241 new employees hired between January 2000 and March 2001. The average total time to fill a position was 131 days. Sampling error was plus or minus 12 days. We excluded firefighters, part-time, seasonal, and temporary positions, and positions filled through lateral transfers or promotions.

Responsibility for Hiring Is Shared by Human Resources and Hiring Departments

The Human Resources Department and hiring departments are each responsible for aspects of hiring. The hiring process is complex – the city charter, labor agreements, and labor law govern many procedures. Like overall hiring time, there were wide variations in how long it took to complete different steps. On average, the longest portion of hiring time was the time to compile a list of eligible candidates. However, the Human Resources Department's time to compile a list is consistent with benchmark cities.

On average, Human Resources accounted for about 46 percent of hiring time.[5] This portion includes the time to post lists of openings internally; run advertisements for open positions; review qualifications and prepare lists of eligible applicants; run background checks when requested; and report results of drug screening, physical exams, and salary review, if applicable.

Time within hiring departments' or applicants' control includes the time from when a position was vacated to when departments requested a list; time to select applicants to interview, interview candidates, make a job offer, schedule physical exams and drug screens if necessary, and schedule a starting date.

Request for a list starts the hiring process. Hiring departments are responsible for requesting a list of eligible applicants (referred to as a certification list) to fill a position. Departments can request a list once an employee has given notice and can request an existing list or a new list.

Hiring departments requested a list within eight days of when a position became vacant in half of our sample cases. However, the average time for hiring departments to request a list was 42 days. The higher average reflects a few cases with unusually long periods from vacancy to request for lists. Departments requested a list before the position was vacated in about 27 percent of the cases we reviewed.

Creating a certified list involves many steps. The Human Resources Department completes numerous clerical tasks to compile a certified list of eligible applicants. The tasks are divided between the department's Certification and Recruitment divisions:

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[5] Sampling error was plus or minus 3.6 percent.

- Human Resources starts the recruitment and certification process when they receive a "Personnel Transaction Form" and a "Certification Request Form" from the hiring department. Human Resources enters the certification request into their computerized tracking system.

- If required by the city's agreement with Local 500, the position is announced to city employees who may wish to transfer; these are termed "lateral" openings, and are posted for seven to 10 days for city employees only. When posting time has expired, departments may receive an existing list of applicants, or request that Human Resources compile a new list.

- Some positions are open to city employees seeking promotion. These positions are announced internally before they are advertised to external candidates.

- Positions open to external candidates are advertised in newspapers, trade journals, on the city website, and on city job announcements, which are distributed to all city offices. Some of these announcements may overlap, depending on various requirements and the city's agreements with Local 500.

- Applicants apply directly to Human Resources (except in the case of transfers, for which candidates contact the hiring department directly). Human Resources reviews applications for minimum qualifications; records eligibility in a database; and sends letters notifying applicants of eligibility, or ineligibility.

- Human Resources prepares a list of eligible applicants, and notifies departments that the list is available.

For half of the cases in our sample, Human Resources provided a list to the hiring departments in 31 days or less. However, the average time for Human Resources to provide a list was 58 days, because some cases took much longer. For example, some departments did not find a satisfactory candidate on the first list issued and requested multiple lists.

Human Resources is in the middle of the range of benchmark cities. The time for Human Resources to provide a list of eligible applicants is consistent with cities we selected for comparison.[6] (See Exhibit 2.)

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[6] We selected Austin, Phoenix, Minneapolis, and Cincinnati for comparison because these cities were cited in *Governing* (February 2000) as benchmarks for human resources management. We selected Oklahoma City and Fort Worth because they are similar in population to Kansas City and report performance measures to the ICMA.

Exhibit 2. Time to Prepare a List of External Candidates

Comparison City	Average Workdays
Fort Worth	20
Oklahoma City	22
Austin	33
Kansas City	**44**
Cincinnati	52
Phoenix	60
Minneapolis	65

Sources: ICMA and Human Resources Department records.

ICMA measures external recruitment as the average number of workdays from the time a request was received by the human resources department requesting a list of eligible applicants from outside the existing workforce, to the transmittal of a final list of candidates to the hiring authority or department.[7] The processes and requirements for preparing lists may vary among these cities.

Departments interview applicants. Hiring departments are responsible for selecting applicants to interview from the list and scheduling interviews. Departments hold interviews, make tentative selection(s) and then request, or complete a background check. Departments are required to document decisions, including the reasons candidates are not selected for interviews.

In half of our sample cases, new employees started work within 38 days of when the list of eligible applicants was completed. The average time was 47 days. Departments spend most of this time interviewing and selecting a candidate to hire. The time also includes background checks, and in some cases, times for a drug screening, a physical exam, and salary review. Department representatives we talked to perceived background checks and the salary review process as bottlenecks. Most background checks were completed within 4 days and most salary reviews were completed within 5 days.

Human Resources conducts most background checks within four days. Human Resources conducts background checks for all departments except Water Services, which conducts its own background checks. The Human Resources Department's goal is to complete background checks within four days of request. Based on our sample, they met this goal 75 percent of the time.

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[7] International City/County Management Association (ICMA), *Comparative Performance Measurement*, 1999 Data Report, pp. 222-223.

Human Resources staff is aware that departments feel that background checks are not completed quickly enough. Staff told us that some of the delay is due to seasonal increases in workload. For example, the number of background checks Parks and Recreation requests increase significantly when they hire for summer jobs. In addition, Human Resources must have the applicant's signature to perform the check, which can take time to obtain.

Human Resources coordinates drug screens and physicals. Safety sensitive positions require a drug screen and some positions require a physical exam. Hiring departments tell applicants to report to Human Resources before screening. The city contracts with a downtown clinic for screenings. Human Resources reports results to the hiring department and notifies applicants of positive results.

The Human Resources Department's goal is to report drug and physical screening results within three days of the screening. Based on our sample, Human Resources met this goal 68 percent of the time. Human Resources staff told us that if applicants do not appear for screening at their scheduled time, additional time is needed to re-schedule, which delays the process. About 60 percent of the sample cases we reviewed required a drug screen and physical exam.

Departments rarely requested starting salaries above the minimum. While several department representatives cited salary review as a delay, departments only requested a starting salary above the minimum in 10 percent of the cases we reviewed. On average, salary review was completed within five days. All requests in our sample were approved.

City Council action should reduce the need for salary review. The City Council recently approved an ordinance that allows department directors to hire up to the mid-point of the salary range. Appointments above the mid-point require the Human Resources director's approval, and appointments above 70 percent of the minimum salary range require approval by the Human Resources Committee.[8]

During the sample period, January 2000 through March 2001, hiring departments were required to request approval to offer a starting salary above the minimum. Approval by the Human Resources director was required for a starting salary up to 15 percent above the minimum. Approval by the Human Resources Committee was required for starting salaries more than 15 percent above the minimum salary. The Human

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[8] Sec. 2-1071 of the Code of Ordinances establishes the Human Resources Committee, which is composed of the city manager or his designee, the director of Human Resources, the city auditor, and another department director appointed by the committee.

Resources Committee meets once a week, which affected time to receive approval in some cases.

The hiring process concludes when the new employee starts. When all checks, reviews, and screenings are completed, the hiring department schedules the start date with the applicant, and schedules new employee processing with the Human Resources Department. Hiring departments also forward the original list of eligible applicants, from which the employee was hired, to Human Resources. Human Resources then enters new employee data into the personnel/payroll system.

Current Process Could Limit the Pool of Applicants

The way the city creates lists of eligible applicants could limit the pool of candidates, and raises equity concerns. Because compiling a list is one of the longest portions of the hiring cycle, more use of existing lists and more continuous recruiting could speed hiring time. Some of the department's processes are constrained by old technology – the department should take the opportunity to revise processes while determining needs and implementing a new human resources system. Planning for an ERP with a human resources module is underway.

Eligible applicants could drop off lists. Applicants who meet job qualifications are sent a letter telling them that they meet qualifications and will be eligible to be hired for one year. However, if a hiring department requests a new list for a position, applicants from any prior lists do not appear on the new list. For some positions, which may open in several departments, if one hiring department requests a new list, other departments may never see all of the eligible applicants, unless they review previous lists. Applicants may be discouraged from applying, or re-applying, for a city job when they see city jobs advertised for which they were already told they are eligible.

Not considering eligible candidates also raises equity concerns. If applicants are told that they are qualified for a position and will remain eligible for a year, they should be considered. In some cases, hiring departments may be trying to find specific skills for entry-level positions, which may exceed minimum qualifications, and therefore overlook applicants who could be trained.

Requirements for multiple applications could discourage job-seekers. Applicants are required to fill out multiple applications if they are applying for several different openings. The city has 320 job classifications, some with similar minimum qualifications. Allowing applicants to fill out one application to apply for several openings for

which they are qualified could expand the applicant pool for different jobs, reduce the need for additional recruiting, and in turn reduce hiring time.

Old technology constrains the hiring process. The current system requires data to be entered into the system based on the job for which a person applied. The same information must be entered separately for each job if an applicant wishes to be considered for more than one opening. Additionally, while Human Resources can accept job applications online, staff must manually enter data into several stand-alone systems. For these reasons, the director and deputy director of Human Resources told us that they are unable to certify applicants for similar positions because it would require too much data entry.

In our 1995 performance audit, we recommended that the city purchase a Human Resources information management system. While the department completed a needs assessment, plans to purchase a new system were halted when the city manager decided to implement an enterprise resource planning (ERP) system to integrate human resources, payroll, and financial management as the core modules. Planning is underway for the ERP system.

New technology should help the Human Resources Department decrease time spent processing transactions. The Human Resources Department should also take the opportunity to revisit their processes while determining needs and implementing the new system. The new system should allow for applicants to fill out one application to apply for any job for which they meet minimum qualifications and express interest. Proposed charter revisions also offer the department an opportunity to revise procedures.

Human Resources and Hiring Departments Could Speed Hiring Under Current System

We did not identify obvious bottlenecks in the sequence of hiring steps. While new technology offers an opportunity to speed the process, both the Human Resources Department and hiring departments can take actions that could speed hiring in the meantime.

Hiring departments could start the process sooner, and expedite interviews. Hiring departments could start the process as soon as they are aware of a vacancy. Based on our sample, hiring departments typically requested a list within eight days from the date of vacancy and requested a list before the position was vacated in about 27 percent of the cases. Hiring departments could also work to complete the interview

process more quickly, or make more use of existing lists. Requesting a new list adds time to recruit. Many of the city's job openings are for entry-level positions.

The Human Resources Department could do continuous recruitment for additional positions, and provide lists of all eligible applicants.
The Human Resources director should consider doing continuous recruitment for more positions where turnover is high. The department continuously recruits for some positions now, including fleet maintenance technicians and tree trimmers, adding eligible applicants to lists as minimum qualifications are reviewed and approved. Human Resources should also provide lists of all eligible applicants to hiring departments, even though lists may be lengthy, and encourage departments to review all eligible applicants. Applicants should be considered throughout their eligibility period.

The Human Resources Department has negotiated with Local 500 to allow concurrent lateral and promotional postings for some hard to fill positions. This should speed hiring time in some cases.

Clarifying Roles Will Strengthen Accountability

The Human Resources Department made changes in response to our 1995 audit that increased departments' discretion in hiring. The Competitive Review Committee has also made recommendations that would increase department discretion.

Decentralization and increased discretion in hiring require mechanisms for ensuring accountability. The Human Resources Department has provided supervisory training that covers hiring issues. The Competitive Review Committee has recommended organizational changes and service agreements with departments to clarify roles and further strengthen accountability. We agree with these committee recommendations. New technology will also enable the Human Resources Department to monitor outcomes of department practices. The Human Resources director should reassess staffing needs as the department's role evolves.

Departments Have More Discretion in Hiring

Following our 1995 performance audit, Human Resources eliminated testing for all positions except firefighters and started providing unranked lists of qualified applicants to departments. We recommended that the director introduce revisions to hiring laws and rules to increase

flexibility; and, determine whether written tests could be eliminated, particularly for supervisory, managerial, professional, and promotional positions.

The Competitive Review Committee recommended changes that would further increase departments' discretion in hiring, including allowing departments to hire within job ranges rather than for a specific open position. For example, if an applicant had the background and experience to perform at the Analyst II position, the hiring department would not be held to hiring in at the Analyst I level.

Accountability Mechanisms Should Balance Discretion

The Competitive Review Committee identified concerns with accountability and lack of communication between Human Resources and hiring departments. Human Resources is providing supervisory training that addresses these issues, but additional accountability mechanisms are needed to balance hiring discretion. Poor hiring decisions could reduce morale or expose the city to risk of liability. We support the Competitive Review Committee's recommendations to hire human resources generalists and implement service agreements between Human Resources and hiring departments.

Competitive Review Committee identified concerns similar to issues we raised in our 1995 audit. The Competitive Review Committee identified concerns with lack of accountability, obsolete technology, lack of communication, and the degree to which the human resource function is driven by procedural compliance instead of user needs. The department's KC-GO consultant concluded that the current hiring process holds no one accountable for problems and provides opportunities for finger pointing. The committee expressed concern about "shadow" human resource functions in several city departments with no direct accountability to the Human Resources Department and recommended organizational changes and service agreements to improve accountability and service.

Supervisory training clarifies roles. Training is an important component of accountability. The Human Resources Department instituted the Human Resources Management Academy in November 1999. We recommended the department provide supervisory training in our 1995 audit. The program provides sessions on performance management, coaching and counseling, administering corrective action, equal employment opportunity and sexual harassment, employment law, recruitment, and memorandum of understanding agreements (MOU).

The Human Resources Department received the International Personnel Management Association Best Practices Award in June 2000 for its Human Resources Management Academy. While most supervisors and managers have now been trained, the Human Resources Department needs to be able to monitor departments' human resources practices. Human Resources plans to monitor the effectiveness of management in dealing with employee issues by tracking trends in hiring, diversity, promotions, performance reviews, and grievances. The department will use this information to further develop the training curriculum.

Interdepartmental service agreements would clarify responsibilities.
The Competitive Review Committee recommended interdepartmental service agreements to clarify the roles and responsibilities of Human Resources and hiring departments. The agreements could function as contracts for services between Human Resources and user departments, clearly defining the responsibilities of each.

Human resource generalists would provide support and expertise.
The Competitive Review Committee recommended the city hire human resource generalists to provide advice and consultation to departments in such areas as recruitment, diversity, and conflict resolution. These staff can ensure that employment practices and procedures are consistent, while improving communication between Human Resources and hiring departments. The new staff should report to the Human Resources director, rather than to department heads, in order to centralize accountability. The city is exposed to risk and liability from hiring, so the city needs centralized monitoring of hiring decisions and impacts.

The Human Resources director should proceed with plans to track trends in hiring, diversity, promotions, performance reviews, and grievances as a way to monitor departments' human resources practices. The director should consider data needs to enable such tracking when preparing for the city's ERP system. The director should also implement the Competitive Review Committee's recommendations to develop service agreements and hire human resources generalists. These actions would strengthen accountability for human resources practices, while improving communication between Human Resources and hiring departments.

Implementation of recommendations will require staffing assessment. In our 1995 audit, we reported that staffing for the Human Resources Department was below national benchmarks. Over the past several years, the department has added ten positions and reduced the ratio from about 162 employees for one human resources staff person, to 128 employees per human resources staff person. The Competitive Review Committee provided a benchmark for this ratio of 100 to 150

employees for every human resources staff person. Human Resources' staffing level is consistent with the cities we selected for comparison. (See Exhibit 3.)

Exhibit 3. Comparison of Human Resources Staffing

Comparison City	HR Staff per 100 Regular Employees
Oklahoma City	Not reported
Cincinnati	0.41
Phoenix	0.60
Kansas City	**0.78**
Forth Worth	0.78
Austin	1.01
Minneapolis	1.24

Sources: ICMA and 2001 adopted budget.

Although the department has increased staff, the director of Human Resources should reassess staffing needs in light of the new computer system and its evolving role. Improved technology may provide efficiencies, but may also require additional skills as the department monitors trends rather than transactions.

Recruitment and Retention Efforts Continue

The Human Resources Department has taken steps to address recruitment and retention issues we raised in our 1995 performance audit, and implemented recommendations of the 1998 Compensation Task Force. The department expanded recruiting methods, revised the compensation system, and has started implementing and refining a new performance management system. However, 36 percent of full-time employees who left city employment in calendar year 2000 had less than one year of service, suggesting that problems remain in recruiting or retaining employees. The department plans to start conducting exit interviews to better determine employees' reasons for leaving. High turnover is costly in terms of the direct costs of hiring and in lost productivity.

The city is investing resources in pay equity and is considering investing more resources in additional benefits. The Human Resources Department should measure the return on these investments through employee surveys and other performance measures. The Human Resources director has developed a set of performance measures to report to the city manager each year.

Human Resources Implemented Recommendations

The Human Resources Department expanded recruitment efforts as recommended in our 1995 performance audit; the department has also implemented recommendations of the 1998 Compensation Task Force, intended to address recruitment and retention issues.

Human Resources expanded recruiting. The Human Resources Department developed new recruitment strategies by working with departments to better identify and meet their needs. The department's expanded recruitment efforts include visiting college campuses, holding job fairs with on-site hiring, seeking qualified candidates through Missouri's Welfare-to-Work program, and running advertisements in trade journals and alternative newspapers. The department now posts jobs on the city website, and accepts job applications online from city workers and outside applicants.

Revised salary structure is intended to be more competitive. The 1998 Compensation Task Force recommended changes to address internal pay equity and external competitiveness of the city's salary structure. The City Council adopted the restructured pay system by ordinance in September 1999. The system is intended to be predictable, rational, easy to administer, and easy for employees to understand. The new pay system is intended to contribute to reduced turnover and increased tenure and productivity.

New performance management system links pay to performance.
The Human Resources Department has revised the city's performance appraisal system to clarify job expectations and link increases in pay to performance. In addition, the department is implementing a job evaluation system to classify positions based on levels of knowledge, problem-solving skills, and accountability required, and working conditions. The system is intended to allow for internal and external salary comparisons to maintain an equitable compensation system.

High Turnover Is Costly

Kansas City's 1999 turnover rate was highest among the cities we selected for comparison. Direct costs of turnover include staff time to hire and train new employees. Indirect costs include lost productivity and poor morale. The Human Resources Department plans to start conducting exit interviews to determine why employees are leaving. In 2000, 36 percent of the full-time employees who left had worked for the city less than a year.

City turnover is relatively high. Kansas City's turnover rate for non-public safety employees was about 17 percent in 2000, which was the highest among the cities we selected for comparison. (See Exhibit 4.) Turnover was measured as the number of full-time employees who left the government during the reporting period divided by the total number of employees.[9]

Exhibit 4. Comparison of Turnover Rates

Comparison City	Turnover
Phoenix	4%
Oklahoma City	4%
Minneapolis	7%
Cincinnati	8%
Fort Worth	11%
Austin	13%
Kansas City	**17%**

Sources: ICMA and Personnel history reports.

Turnover costs include lost productivity and poor morale. The U.S. Department of Labor estimates that it costs one-third the annual salary of a new-hire to replace an employee. Direct costs include time involved in recruiting, selecting, and training new personnel. Indirect costs may include lower productivity of dissatisfied employees prior to separation; disruption to the workgroup; and the loss of productivity of the manager during the new employee's orientation and training. Representatives from hiring departments told us that position vacancies result in overtime costs, use of temporary and contract employees, and less work completed.

Many employees are on the job for less than a year. About 36 percent of the full-time employees who left the city in 2000 had less than one year of service. About 73 percent of those who left in 2000 had been with the city five years or less. (See Exhibit 5.) This level of separations, whether voluntary or involuntary, suggests that the city still faces difficulties with recruitment and/or retention.

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[9] We re-calculated the city's 2000 turnover rate to be consistent with the ICMA definition, which includes voluntary and involuntary separations for full-time employees, excluding public safety employees. Data reported for the comparison cities is from 1999. The total number of employees leaving city employment was slightly higher in 1999 than in 2000.

18

Exhibit 5. Frequency Distribution of Years of Service, Full-Time
Employees Leaving Service in 2000

Number of		Percent	Cumulative Percent
Years	Employees		
Missing data	37		
Less than 1	240	35.7%	35.7%
1 to 5	249	37.7%	72.7%
5.1 to 10	71	10.5%	83.2%
10.1 to 15	28	4.2%	87.4%
15.1 to 20	11	1.6%	89.0%
20.1 to 25	25	3.7%	92.7%
25.1 to 30	28	4.2%	96.9%
More than 30	21	3.1%	100.0%
Total	710		

Source: Personnel History Records.

Most of the employees leaving city service, 86 percent, were hourly
employees. About half were in 17 jobs. Maintenance workers,
equipment operators, customer service representatives, secretaries, and
correctional officers were the positions most often vacated.

The number of people leaving full-time city employment includes
resignations, terminations and retirements. Retirements were relatively
few, about ten percent. Most of the employees who retired had more
than 20 years of service.

Reasons for high turnover. Department representatives we talked to
cited non-competitive salaries as the primary reason for difficulty in
keeping employees. However, human resources experts and research
cite other reasons as more prevalent than inadequate pay: dissatisfaction
with the work, the work environment, the supervisor, and not being
sufficiently challenged. The Human Resources director said that for city
employment, particularly manual labor jobs, the physical difficulty of the
work – digging ditches and riding garbage trucks – may also discourage
retention of employees.

Human Resources is developing an exit interview system. The
Human Resources Department is developing an employee exit interview
system to better determine why employees are leaving and to track
employee turnover. The current form used to record reasons for
resignation is completed either by the employee or their department, and
provides little detail.

Human Resources' analysis of reasons for resignations, from 1994 to
mid-2001, shows that the majority of employees cite personal reasons
and accepting a position with a better future. Providing employees the

opportunity to discuss potential problems confidentially, outside their department, should encourage frankness and help identify potential problems in management or work environment. The Human Resources director should proceed with plans to implement the exit interview system to better determine why employees leave city employment.

Human Resources Should Measure Effectiveness of Changes

The city is investing additional resources into its workforce to reduce turnover and improve productivity. The Human Resources Department should track the effectiveness of changes through employee surveys and other performance measures. The Human Resources director has developed a set of performance measures to report to the city manager each year.

Compensation changes increased personnel costs. Changes to the city's compensation system, including new pay ranges, cost of living adjustments for all employees and equity adjustments for some employees, added about $23.6 million to the city's fiscal year 2002 budget. The changes are intended to help reduce turnover and increase tenure and productivity. Because of the significant investment in the city's workforce, the Human Resources Department should track key performance measures, including turnover and tenure and employee perceptions.

The Competitive Review Committee proposed additional employee benefits as a way to reduce employee turnover and improve morale. Suggestions include a tenth holiday on the day after Thanksgiving, development of a wellness program, a "Wellness Day" as incentive for not using accrued sick leave, consideration of flex-time or job sharing work programs, and provision of hybrid portable retirement plans.

New technology should enable performance measurement. The Human Resources director plans to report the following performance measures to the city manager on an annual basis: cost per hire, turnover percentage, cost of turnover, cost of training, cost of benefits, and percentage of benefits to payroll. Currently, the lack of integration between numerous Human Resource systems makes compilation of useful information difficult and time-consuming. For example, to calculate hiring time, we had to gather information from eight sources, including stand-alone computer database systems and hard copy files. Implementing new technology should allow for easier data collection.

The director of Human Resources should address data needs for monitoring the effectiveness of recruitment and retention efforts when preparing for the city's ERP system.

Employee perceptions should also be measured. In addition, the director should survey employees to track their perceptions of compensation changes and other aspects of the working environment. Employee perceptions are a key measure of human resources effectiveness. While the Human Resources director plans to start conducting employee surveys in 2002, quicker action could provide baseline data on perceptions of the recent compensation changes and other efforts. Information from exit interviews and employee surveys could also be used to assess management training.

Old Technology Constrains Benefit Options

The Competitive Review Committee suggested additional benefits as one method of improving employee retention. However, the city's payroll system does not allow for additional deductions that could provide low-cost benefits.

Additional payroll deductions are not possible under the current system. The city's current payroll system does not allow for payroll deductions for any additional employee benefits. Potential benefits that require payroll deduction include tax-favored tuition savings,[10] short-term disability insurance, and tax-deductible parking or busing, as permitted by federal law.[11]

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[10] The Missouri Savings for Tuition Program (MO$T) allows account contributions of up to $8,000 per year to be deducted from Missouri state taxable income. Federal income taxes are deferred until withdrawn, and then taxed at the student's (lower) beneficiary rate.

[11] Federal Code 132(f) allows $65 per month in transit passes and $175 per month for parking to be excluded from income as a "qualified transportation fringe benefit."

The city's benefit program currently provides for:

- Health and dental insurance
- Life insurance (basic, supplemental and dependent term)
- Long-term disability insurance
- Flexible spending accounts
- Vacation time relative to length of service
- Nine paid holidays
- Sick leave
- Employee pension plan (vested after 5 years)
- Deferred Compensation
- Direct deposit
- Educational initiative
- Employee Credit Union (contributions may be made through payroll deduction)

Source: General Summary of Benefits.

Workforce Planning Can Address Long-term Needs

Workforce planning allows organizations to identify and manage issues that drive workforce change. The age of the workforce and growing retirement eligibility are concerns in many organizations. According to the Human Resources director, 32 percent of current management employees will be eligible to retire by 2005. Of all current employees, 15.4 percent will be eligible to retire with full benefits within the decade.

Implementing workforce planning allows management to project retirement rates by division or department and prepare for replacement of lost competencies and skills. Human Resources anticipates retirements; however, the city needs to develop information on current and needed workforce skills to implement workforce planning. The Human Resources director should consider workforce planning when determining needs and implementing the new computer system.

Workforce Planning Requires Data and a Human Resources Information System to Manage Data

Workforce planning is generally defined as obtaining the right number of people with the right skills, experience, and competencies in the right jobs at the right time.[12] In order to do workforce planning, data must be

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[12] U.S. Department of Health and Human Services Workforce Planning Model, November 1999.

available, and systems must be available to manage data. Data requirements include workforce demographics, trends in personnel transactions, data on the skills of the existing staff and future skills needed.

Model developed to address baby boomer retirements. The U.S. Department of Health and Human Services (HHS) developed a five-step workforce-planning model that has been adapted by both municipal and state governments. The model responds to a trend identified by the U.S. General Accounting Office, within federal agencies, showing substantial numbers of management-level employees eligible to retire between September 1999 and September 2005.[13]

Steps in the HHS Workforce Planning Model

- **Supply Analysis:** Identify organizational competencies; analyze staff demographics; identify employment trends.
- **Demand Analysis:** Identify future workload and activities; analyze competency sets needed in future workforce.
- **Gap Analysis:** Compare information from the supply analysis and demand analysis to identify the gaps between current and future workforce needs.
- **Solution Analysis:** Develop strategies for closing gaps in competencies and reducing surplus competencies (i.e., planned recruiting, training, retraining, transfers, etc.)
- **Evaluation:** A periodic and systematic review of the workforce plan, reviewing mission and objectives to assure validity.

Source: U.S. Department of Health and Human Services Workforce Planning Model, November 1999.

Best practices cities are beginning to implement workforce planning. Minneapolis and Austin initiated workforce planning within the past year. Both of these cities were cited for excellence in financial and human resources management among 35 cities studied.[14] The report noted that Minneapolis does a superior job in workforce planning and Austin excels in forecasting changes in workload and the resulting impact on staffing decisions.

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[13] U.S. General Accounting Office, *Retirement Trends Underscore the Importance of Succession Planning*, May 2000, pp. 1-3.
[14] "Grading the Cities 2000," *Governing*, February 2000.

In Minneapolis, workforce planning is focused on examining individual departments to identify trends, measure turnover and retirement rates, and do supply and demand analysis, following the Health and Human Services model. Minneapolis has technological resources and a full-time staff person dedicated to workforce planning.

Austin has also installed a Human Resources Information System that allows them to track demographic and transactional data, and is creating a database of all employees' skills. This will allow them to do more succession planning in the future.

The Human Resources Department does not perform formal workforce planning. The Competitive Review Committee reported that the city's lack of information about workforce skills needed in the future, and lack of current information about personnel with particular skills, results in intensive recruitment after an opening has occurred.

However, the Human Resources director reviews an annual actuarial analysis and reviews with the city manager a list of management employees nearing retirement each year. According to the Human Resources director, 24 percent of current management employees will be eligible to retire by 2004; and 32 percent of current management employees will be eligible to retire by 2006.

Of all current employees, 6.6 percent are eligible to retire in 2001; and 15.4 percent will be eligible to retire with full benefits within the decade. About 26 percent of the current workforce will turn 60 within the coming decade.

Human Resources Should Consider Workforce Planning Needs While Implementing New Systems

Planning is underway for the enterprise resource planning (ERP) system to integrate human resources, payroll, and financial management. Newer technology, with an integrated Human Resources Information System, will improve Human Resources access to accurate information, and provide a tool to initiate workforce planning.

Human Resources should identify information needs. As the Human Resources Department plans for implementation of a new Human Resources Information System, staff should consider information that would allow them to do workforce planning. Examples of information that would be helpful include:

- demographic data, such as occupation, grade level, race/national origin, gender, age, length of service, and retirement eligibility

- personnel transaction data to identify baselines such as turnover rates, resignations and retirements

- trend data to project how many people will retire, resign or transfer in a given time period

- data on skills of current workforce

The HHS Model suggests that a three-to-five year time frame for implementation of workforce planning is a reasonable expectation.

The director of Human Resources should consider data needs for workforce planning when preparing for the city's ERP system.

Recommendations

1. The director of Human Resources should take the opportunities provided through charter changes, if approved, and implementing the city's ERP system to review and revise current hiring procedures. Procedures should allow applicants to fill out one application for consideration for any job for which the applicant is interested and qualified.

2. The director of Human Resources should consider recruiting continuously for more jobs that turn over quickly.

3. The director of Human Resources should ensure names of all eligible applicants are provided to departments and reiterate the obligation for departments to consider all eligible applicants.

4. The director of Human Resources should strengthen accountability mechanisms by implementing the Competitive Review Committee's recommendations to hire human resource generalists and develop service agreements with hiring departments.

5. The director of Human Resources should proceed with plans to track trends in hiring, diversity, promotions, performance reviews, and grievances as a way to monitor departments' human resources practices.

6. The director of Human Resources should proceed with plans to implement an exit interview system.

7. The director of Human Resources should conduct employee surveys and track other measures of the effectiveness of recruitment and retention efforts as planned.

8. The director of Human Resources should consider data needs for workforce planning and monitoring the outcomes of citywide human resources practices when preparing for the city's ERP system.

Appendix A

Prior Audit Recommendations

Prior Audit Recommendations

1. The director of Human Resources should review the rules and laws related to testing, ranking and eligible lists and introduce revisions which increase flexibility in hiring and improve assessment of job applicants. Changes to the Personnel Rules and Regulations, the administrative Code and the City Charter should be initiated where indicated. Input into the proposed changes should be sought from a broad spectrum of department managers, employees and citizens.

2. The director of Human Resources should review the current list of classifications for which written exams are administered and determine whether written testing can be eliminated for any of those positions. Elimination of exams should particularly be considered for supervisory, managerial, professional and promotional positions.

3. After determining which written tests will be continued as outlined in the previous recommendations, the director of Human Resources should determine the most cost-effective method for developing and administering those exams, and should identify necessary resources for keeping exams valid and current.

4. The director of Human Resources should determine the most cost-effective method of testing job applicants for the Fire Department and other areas as appropriate. The analysis should consider not only the costs of purchasing exams but should also consider the staffing cost involved in current procedures for review and administration of written testing.

5. The director of Human Resources, with input from other departments, employees and Human Resources Department staff, should develop a new mission statement for the department. The new mission statement should reflect a service orientation to user departments as well as revisions to the merit system.

6. Once the mission of the Human Resources Department has been established, the director of Human Resources should determine the resources necessary for the department to achieve that mission. The evaluation should include determining the number and types of positions necessary to perform the work, as well as the training and technology needs. Resources to address these needs should be included in the City Manager's proposed budget. If resources are not available to fund all needs simultaneously, the director of Human Resources should establish priorities for implementing initiatives as funding becomes available.

7. The director of Human Resources should periodically and systematically solicit input from operating departments regarding their satisfaction with the operations and performance of the Human Resources Department.

8. The director of Human Resources should develop and implement a written recruitment strategy. The plan should define the roles of the Human Resources Department and of the hiring departments. It should also include plans for pursuing targeted recruitments for hard to fill positions and minority candidates.

9. The director of Human Resources should develop a plan for funding, staffing and implementing a training program. The plan should establish priorities for implementation, based on input from department directors.

10. The director of Human Resources should develop a plan for updating the department's information technology. The plan should include development of a comprehensive personnel information system with an interface between applicant and requisition information. The system should also provide for electronic transfer of data between operating departments and the Human Resources Department.

Appendix B

Audit Report Tracking System (ARTS) Reports

Audit Report Tracking System

1. Audit Title Human Resources Department	**2. This Report Date** 10/3/95
3. Department Human Resources	**4. Last Report Date** n.a.
5. Department Head Elliott L. Wheelan	**6. Contact Person/Phone** John Thigpen/274-1628
7. Audit Release Date 13-Mar-95	**8. ARTS Number** 94-1-1

9. Status of All Audit Recommendations

Status	Date	Status	Date
1. Completed	9/29/95		
2. Completed	9/29/95		
3. In Progress	9/29/95		
4. Implemented	6/19/95		
5. Completed	3/10/95		
6. In Progress	10/3/95		
7. On-Going	3/10/95		
8. On-Going	11/15/95		
9. Completed	4/24/95		
10. In Progress	10/3/95		

10. Recommendations Included in this Report

Recommendation No. 1: The Director of Human Resources should review the rules and laws related to testing, ranking and eligible lists and introduce revisions which would increase flexibility in hiring and improve assessment of job aplicants. Changes to the Personnel Rules and Regulations, the Administrative Code and the City Charter should be initiated where indicated. Input into the proposed changes should be sought from a broad spectrum of department managers, employees and citizens.

Description of Status: Completed. A committee of service receipents and members of the Human Resource staff have provided recommendations related to testing, eligibliltiy lists, and revisions to the employment process including changes to the rules & regulations, Administrative Code and Charter where apllicable. These recommendations are currently under review by Senior management.

Recommendation No. 2: The Director of Human Resources should review the current list of classifications for which written exams are administered and determine whether written testing can be eliminated for any of those positions. Elimination of exams should particularly be considered for supervisory, managerial, professional and promotional positions.

Description of Status: Completed. A thorough review of the testing requirements for all positions has been conducted and recommendations for test elimination, substitution, and revision have been submitted to management for review and implementation.

Recommendation No. 3: After determining which written tests will be continued as outlined in the previous recommendation, the Director of Human Resources should determine the most cost-effective method for developing and administering those exams, and should identify necessary resources for keeping exams vital and current.

Description of Status: In Progress. Recommendations are pending regarding which exams will continue to be administered. Those exams that will continue will be reviewed with the operating departments to determine the methology to be utilized for maintaining cost effectiveness and current accuracy.

Recommendation No. 4: The Director of Human Resources should determine the most cost-effective method of testing job applicants for the Fire Department and other areas as appropriate. The analysis should consider not only the costs of purchasing exams but should also consider the staffing cost involved in current procedures for review and administration of written testing.

Description of Status: Implemented. See Recommendation No. 3.

Audit Report Tracking System

Audit Title:	Human Resources Department
Report Date:	10/3/95

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10. Recommendations Included in this Report (continued)

Recommendation No. 5: The Director of Human Resources, with thte input from other departments, employees and Human Resources Department staff, should develop a new mission statement for the department. The new mission statement should reflect a service orientation to user departments as well as revisions to the merit system.

Description of Status: Completed. The new mission stated was articulated in the 3/10/95 written audit response.

Recommendation No. 6: Once the mission of the Human Resources Department has been established, the Director of Human Resources should determine the resources necessary for the department to achieve the mission. The evaluation should include determining the number and types of positions necessary to perform the work, as well as the training and technology needs. Resources to address these needs should be included in the City Manager's proposed budget. If resources are not available to fund all needs simultaneously, the Director of Human Resources should establish priorities for implementing initiatives as as funding becomes available.

Description of Status: In Progress. The 1995-96 Budget was implemented addressing some priotity resource needs. The 1996-97 Budget process will allow other priority needs to be addressed as funds are available.

Recommendation No.7: The Director of Human Resources should periodically and systematically solict input from operating departments regarding their satisfaction with the operations and performance of the Human Resources Department.

Description of Status: In Progress. Continuing input is solicted regarding the service level provided by the Human Resource Department.

Recommendation No 8: The Director of Human Resources should develop and implement a written recruitment strategy. The plan should define the roles of the Human Resources Department and of the hiring departments. It should also include plans for for pursuing targeted recruitments for hard to fill positions and minority candidates.

Description of Status: In Progress. A recruitment strategies plan has be formulated and is currently under management review prior to implementation.

Recommendation No 9: The Director of Human Resources should develop a plan for funding, staffing, and implementing a training program. The plan should establish priorities for implementation, based on input from department directors.

Description of Status: In Progress. The 1995-96 fiscal budget included funding for a Division of Organizational Development. The head of the Division has established a written, approved training plan that is currently in the process of implementation.

Recommendation No 10: The Director of Human Resources should develop a plan for updating the departments information technology. The plan should include development of a comprehensive personnel information system with an interface between applicant and requisition information. The system should also provide for electronic transfer of data between operating departments and the Human Resources Department.

Description of Status: In Progress. The 1995-96 fiscal year budget included funding for minimum increase in computer technology. However, multidiscipline team of operating and staff department users are in the process of assessing system requirements, critical needs, and upgrades for a state of the art Human Resources Information System.

Audit Report Tracking System

1. Audit Title	2. This Report Date
Human Resources Department	9/26/96
3. Department	**4. Last Report Date**
Human Resources	10/3/95
5. Department Head	**6. Contact Person/Phone**
Elliott L. Wheelan	John Thigpen/274-1628
7. Audit Release Date	**8. ARTS Number**
13-Mar-95	94-1-1

9. Status of All Audit Recommendations

Status	Date	Status	
1. Completed	9/29/95		
2. Completed	9/29/95		
3. Completed	6/1/96		
4. Completed	1/10/96		
5. Completed	3/10/95		
6. Completed	5/1/96		
7. Completed	4/1/96		
8. Completed	7/6/96		
9. Completed	4/24/1995 and 5/1/96		
10. Completed	1/29/96		

10. Recommendations Included in this Report

Recommendation No. 1: The Director of Human Resources should review the rules and laws related to testing, ranking and eligible lists and introduce revisions which would increase flexibility in hiring and improve assessment of job aplicants. Changes to the Personnel Rules and Regulations, the Administrative Code and the City Charter should be initiated where indicated. Input into the proposed changes should be sought from a broad spectrum of department managers, employees and citizens.

    Description of Status: Completed. A committee of service receipents and members of the Human Resource staff have provided recommendations related to testing, eligibliltiy lists, and revisions to the employment process including changes to the rules & regulations, Administrative Code and Charter where apllicable. These recommendations are currently under review by Senior management.

Recommendation No. 2: The Director of Human Resources should review the current list of classifications for which written exams are administered and determine whether written testing can be eliminated for any of those positions. Elimination of exams should particularly be considered for supervisory, managerial, professional and promotional positions.

    Description of Status: Completed. A thorough review of the testing requirements for all positions has been conducted and recommendations for test elimination, substitution, and revision have been submitted to management for review and implementation.

Recommendation No. 3: After determining which written tests will be continued as outlined in the previous recommendation, the Director of Human Resources should determine the most cost-effective method for developing and administering those exams, and should identify necessary resources for keeping exams vital and current.

    Description of Status: Completed. Recommendations have been received regarding which exams will continue to be administered. Those exams that will continue will be reviewed with the operating departments to determine the methology to be utilized for maintaining cost effectiveness and current accuracy.

Recommendation No. 4: The Director of Human Resources should determine the most cost-effective method of testing job applicants for the Fire Department and other areas as appropriate. The analysis should consider not only the costs of purchasing exams but should also consider the staffing cost involved in current procedures for review and administration of written testing.

    Description of Status: Completed. Where applicable and appropriate, fire service exams have been purchased and utilized. We have successfully negotiated price reductions in test material cost and validation, and these cost continue to be shared with the Fire Department.

Audit Report Tracking System

Audit Title:	Human Resources Department
Report Date:	9/26/96

10. Recommendations Included in this Report (continued)

Recommendation No. 5: The Director of Human Resources, with thte input from other departments, employees and Human Resources Department staff, should develop a new mission statement for the department. The new mission statement should reflect a service orientation to user departments as well as revisions to the merit system.

Description of Status: Completed. The new mission stated was articulated in the 3/10/95 written audit response.

Recommendation No. 6: Once the mission of the Human Resources Department has been established, the Director of Human Resources should determine the resources necessary for the department to achieve the mission. The evaluation should include determining the number and types of positions necessary to perform the work, as well as the training and technology needs. Resources to address these needs should be included in the City Manager's proposed budget. If resources are not available to fund all needs simultaneously, the Director of Human Resources should establish priorities for implementing initiatives as as funding becomes available.

Description of Status: Completed. The 1996-97 Budget was implemented addressing some priority resource needs. The 1997-98 Budget process will allow other priority needs to be addressed as funds are available.

Recommendation No.7: The Director of Human Resources should periodically and systematically solict input from operating departments regarding their satisfaction with the operations and performance of the Human Resources Department.

Description of Status: Completed. Continuing input is solicted regarding the service level provided by the Human Resource Department, and with the implementation of a customer satisfaction advisory group in the Corporate Services Investment Team, this feedback will remain on-going and continuous.

Recommendation No 8: The Director of Human Resources should develop and implement a written recruitment strategy. The plan should define the roles of the Human Resources Department and of the hiring departments. It should also include plans for for pursuing targeted recruitments for hard to fill positions and minority candidates.

Description of Status: Completed. A recruitment strategies plan has been formulated and finalized as of July 6, 1996. Recruitment visits and community awareness activities are in progress.

Recommendation No 9: The Director of Human Resources should develop a plan for funding, staffing, and implementing a training program. The plan should establish priorities for implementation, based on input from department directors.

Description of Status: Completed. The 1995-96 fiscal budget included funding for a Division of Organizational Development. The Division of Organizational Development has become a part of the City Managers' organization effective with the 1996-97 fiscal year.

Recommendation No 10: The Director of Human Resources should develop a plan for updating the departments information technology. The plan should include development of a comprehensive personnel information system with an interface between applicant and requisition information. The system should also provide for electronic transfer of data between operating departments and the Human Resources Department.

Description of Status: Completed. The 1996-97 fiscal year budget included funding for an increase in computer technology. A multidiscipline team of operating and staff department users has completed the process of assessing system requirements, critical needs, and upgrades for a state of the art Human Resources Information System. The 1997-98 budget will include a line item for the purchase and development of a HRIS system.

Appendix C

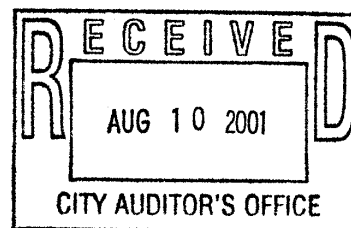**Human Resources Director's Response**

Inter-Departmental Communication

RECEIVED

AUG 1 0 2001

CITY AUDITOR'S OFFICE

DATE: August 3, 2001

TO: Mark Funkhouser, City Auditor

FROM: John Thigpen, Director, Human Resources

SUBJECT: **Response to Follow-up Human Resources Audit**

Per established audit procedures on the above-referenced activity, please accept Human Resources' formal response to the eight recommendations outlined on pages 25-26 of the 2001 follow-up report.

The director of Human Resources should take the opportunities provided through charter changes, if approved, and implementing the city's ERP system to review and revise current hiring procedures. Procedures should allow applicants to fill out one application for consideration for any job for which the applicant is interested and qualified.

Response: We agree with this recommendation. Human Resources submitted charter revisions that will result in a more flexible hiring process. In addition, the department will seek to secure a Human Resource Information System that features the ability for applicants to file one application for multiple openings.

The director of Human Resources should consider recruiting continuously for more jobs that turn over quickly.

Response: We agree with this recommendation. Allowing Human Resources to have full discretion could expand this service, however, departments would absorb the additional administrative costs of required weekly advertisements.

The director of Human Resources should ensure names of all eligible applicants are provided to departments and reiterate the obligation for departments to consider all eligible applicants.

Response: We agree with this recommendation and can implement immediately.

The director of Human Resources should strengthen accountability mechanisms by implementing the Competitive Review Committee's recommendations to hire human resource generalists and develop service agreements with hiring departments.

Response: We agree with this recommendation. The Department of Human Resources has begun developing a strategic plan to implement the *KC-GO* Competitive Review Committee's recommendation of placing HR generalists within larger departments. These generalists will

perform and/or coordinate human resource functions. We believe that accountability will be improved under a system where generalists report directly to the Human Resources Director.

The director of Human Resources should proceed with plans to track trends in hiring, diversity, promotions, performance reviews, and grievances as a way to monitor department's human resources practices.

Response: We agree with this recommendation. The implementation of the *KC-GO* Competitive Review Committee's recommendation of establishing HR generalists in departments, as well as the anticipated purchase of a new HRIS, will allow the department to track patterns in hiring, tracking of performance reviews, hiring, and grievance data. The department will track workforce diversity patterns in partnership with the Human Relations Department, who have assumed primary responsibility for EEO/Diversity programming and investigations within the City organization.

The director of Human Resources should proceed with plans to implement an exit interview system.

Response: We agree with recommendation. Prior to commencement of this follow-up audit, the department had begun the process of establishing an exit interview process. We anticipate implementation in September 2001.

The director of Human Resources should conduct employee surveys and track other measures of the effectiveness of recruitment and retention efforts as planned.

Response: We agree with this recommendation. The department is currently investigating potential software packages to assist in tracking the effectiveness of future recruitment and retention efforts. Further, we agree that employee surveys can assist in obtaining valuable feedback in addition to data gathered from our planned exit interview system.

The director of Human Resources should consider data needs for workforce planning and monitoring the outcomes of citywide human resources practices when preparing for the city's ERP system.

Response: We agree with this recommendation. The Department is currently participating as one of the principal stakeholders in the acquisition of an Enterprise Resource Planning system for the City. The ability to aggregate and analyze workforce data, policy outcomes and data visibility for organizational trend prediction will be an essential component of the needs analysis to select the ERP system.

Cc: Robert Collins, City Manager
        Gary O'Bannon, Human Resources
        Leslie Ward, City Auditor's Office
        Amanda Noble, City Auditor's Office
        HR follow-up audit file

2